

June 18, 2007

Orca Exploration Group Inc. (ORC.B-V, \$14.80)

Alan Knowles, CFA, CMA (403-509-1931, aknowles@haywood.com)

Target Price	\$17.00
Current Price	\$14.80
Return (incl. dist'n)	15%

Risk Profile	SPECULATIVE
Forecast Risk	High
Financial Risk	Moderate
Valuation Risk	Moderate
Political Risk	Moderate

52-Week High/Low	\$15.00/\$4.00
Shares O/S	26.8 million (basic)
	28.9 million (F/D)

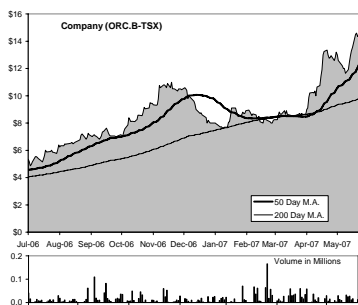
Market Capitalization	\$402 million
Enterprise Value	\$390 million

Daily Volume	
(3-month average)	24,000
Currency	C\$ unless noted

President Peter Clutterbuck

Company Web Site
www.orcaexploration.com

Price Performance



Source: Bloomberg

[Last Research: June 4, 2007](#)

Rating: SECTOR OUTPERFORM; Target \$17.00; Risk: SPECULATIVE
Impact: Neutral

Event: Temporarily Suspends Drilling of SS-10 Development Well

- Orca has temporarily suspended drilling of the SS-10 development well at Songo Songo in Tanzania. Drilling was halted by the need to conduct repairs on the contracted rig, which may take from 1 to 3 months.
- SS-10 had a target depth of 6,400 feet, with a 3,000-foot deviation from the surface location on the island. The well had been drilled to 5,539 feet before operations were suspended, and will be secured to 3,523 feet. Originally, the well was expected to cost US\$11.0 million.
- This well, the sixth development well in the field, is targeting the crest of the structure and is expected to be capable of producing 50 mmcf/day. The current capability of the existing five wells is 160 mmcf/day. The Company is attempting to market its natural gas and is seeking to reach peak production of 105 mmcf/day by 2009 (including 40 to 45 mmcf/day of Protected Gas, in which the Company does not have an interest and which is dedicated to specific power generation facilities). Increasing production capability to 210 mmcf/day provides the Company with a cushion to meet its marketing commitments should a well be taken off line in the future.

Implications: Suspension of the well at this time does not interfere with the Company's other production or marketing efforts and therefore does not have an impact on our forecast or view on the Company.



Please see rating structure, important disclosures, risk profile parameters, disclaimers, and notes on pages 2 to 5 of this report.

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- n/a

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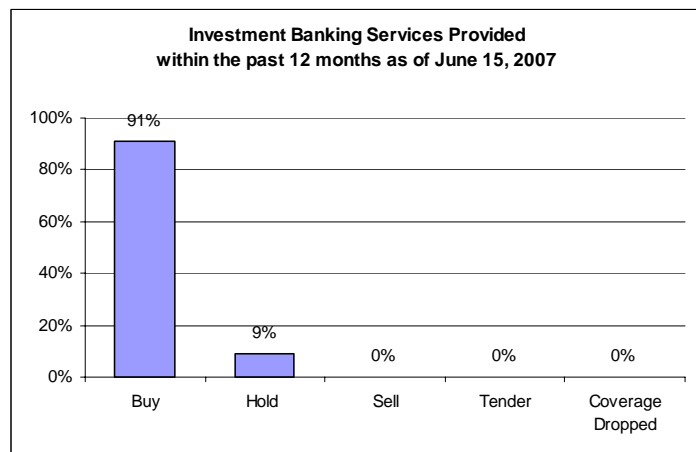
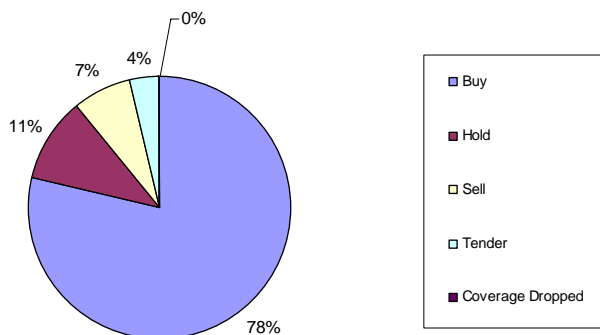
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Rating Distribution March 15 2007 - June 15, 2007



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Risk Profile Parameters

SPECULATIVE: – Investment for risk accounts only. Companies within this category carry greater financial and/or execution risk. All junior/venture companies that carry great financial and/or liquidity risk will be tagged “SPECULATIVE”. A stock indicating a SPECULATIVE risk is determined from sector specific criteria outlined below listed below.

Risk Profile Parameters – Oil and Gas Sector

Forecast Risk: *High* – Haywood forecasts are below guidance. The Company has a history of missing targets and/or Haywood expects guidance to be lowered. Limited hedging increases commodity risk beyond peers. To raise expectations requires higher commodity prices or production that is ahead of guidance. *Moderate* – Haywood forecasts are generally in line with guidance. The Company has a history of meeting or exceeding guidance. Forecasts are consistent with current commodity pricing and production guidance. Hedging practices are in line with peers. *Low* – Haywood forecasts exceed guidance. The Company has a history of meeting or exceeding guidance. Forecasts allow for modestly lower commodity pricing or production levels. Commodity hedging lowers volatility relative to peers.

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Valuation Risk: *High* – The current valuation is at the high end of historic levels and/or at a premium to peers. The valuation reflects continued production growth and/or continuing strong commodity prices or further appreciation. Where applicable, the market capitalization exceeds the NAV by more than 30%. *Moderate* – The current valuation is within historic ranges and generally consistent with peers. The valuation reflects reasonable production growth and/or commodity price appreciation. Where applicable, the market capitalization exceeds the NAV by 15% to 30%. *Low* – The current valuation is at the low end of historic ranges and/or at a discount to peer valuations. The valuation reflects limited production growth and/or no commodity price appreciation. Where applicable, the market capitalization exceeds the NAV by less than 15% or falls below the capitalization.

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